

Request for City Council Action

Date: September 30, 2002

To: Council Member Lisa Goodman, Community Development Committee

Refer to: MCDA Board of Commissioners

Prepared by: Nila McDonald, Phone 612-673-5189

Approved by Chuck Lutz, MCDA Interim Executive Director _____

Subject: A Public Hearing and Request for Preliminary and Final Approval of up to \$2,000,000 in 501(c)(3) Bank Direct Tax-exempt Minneapolis Community Development Agency Revenue Bonds, Series 2002, for Greater Minneapolis Crisis Nursery.

Previous Directives: None.

Ward: 8th

Neighborhood Group Notification: The Field-Regina-Northrop Neighborhood Group has been notified.

Consistency with *Building a City That Works*: The Greater Minneapolis Crisis Nursery project is consistent with Goal 4 of preserving and enhancing the urban institutions and amenities that define Minneapolis.

Comprehensive Plan Compliance: This project complies with the policies of the Minneapolis Plan.

Zoning Code Compliance: The existing facility is in compliance.

Impact on MCDA Budget: (Check those that apply)

☐ No financial impact

☐ Action requires an appropriation increase to the MCDA Budget

☐ Action provides increased revenue for appropriation increase

☐ Action requires use of contingency or reserves

☒ Other financial impact: The issuance of 501(c)(3) tax-exempt revenue bonds will generate annual administrative fees that are used to support the small business assistance programs of the City.

Living Wage / Business Subsidy: Does not apply.

Job Linkage: Does not apply.

Affirmative Action Compliance: The project will comply with the affirmative action requirements of the City.

RECOMMENDATION:

City Council Recommendation: The Interim Executive Director recommends that the City Council adopt the attached Resolution, a summary of which will be published, following a Public Hearing held on September 30, 2002, notice of which was published in Finance and Commerce on September 14, 2002, giving Preliminary and Final Approval to the issuance of up to \$2,000,000 in Tax-exempt 501(c)(3) Bank Direct Minneapolis Community Development Agency Revenue Bonds, Series 2002, for Greater Minneapolis Crisis Nursery.

MCDA Board Recommendation: The Interim Executive Director further recommends that the City Council forward this report to the Minneapolis Community Development Agency Board of Commissioners for their approval and adoption of the attached resolution; giving Preliminary and Final Approval of up to \$2,000,000 in Tax-exempt 501(c)(3) Bank Direct Revenue Bonds, Series 2002, for Greater Minneapolis Crisis Nursery.

Background/Supporting Information

PROJECT LOCATION & DESCRIPTION

Greater Minneapolis Crisis Nursery is a nonprofit organization that provides free voluntary programs to Hennepin County families in crisis with children through age six at risk of abuse or neglect.

Crisis Nursery previously operated two shelters, one in Golden Valley and one at 4255-3rd Avenue South in Minneapolis. In April of 2002 they were forced to shut down the Minneapolis shelter due to environmental concerns involving dangerous levels of lead. They have now located a suitable replacement building at 4544-4th Avenue South, formerly Regina Terrace. The new building will allow the Nursery to expand services in the South Minneapolis area.

TYPE OF FINANCING:

Crisis Nursery has requested assistance in the amount of \$2,000,000 through the newly created Bank Direct Revenue Bond program. This will be the second project financed through this program, the first project being Resource, Inc.

Sources:

Bond Proceeds	\$2,000,000
Other Sources	<u>174,000</u>
Total	\$2,174,000

Uses

Land and Improvements	\$1,720,000
Equipment	267,000
Cost of Issuance & expenses	<u>187,000</u>
Total	\$2,174,000

Note: Copies of the following bond documents are on file with the Minneapolis Community Development Agency and can be reviewed by contacting Virginia Parent, Board Coordinator, at 612-673-5136.

1. Loan Agreement
2. Pledge Agreement

PRESENT EMPLOYMENT: 48

NEW EMPLOYMENT: 20

ASSESSOR'S ESTIMATED ANNUAL TAX INCREASE: Tax-exempt agency.

AFFIRMATIVE ACTION COMPLIANCE: An updated Affirmative Action Plan will be in place.

MCDA IRB POLICIES:

Job Component Minimum standard of one (1) job per 1,000 square feet of building area.

Crisis Nursery: N.A.

Property Improvements	<p>No more than 25% of the bond proceeds may be used for land and acquisition. If purchasing an existing building, an amount equal to at least 15% of the acquisition cost must be spent on rehabilitation expenditures.</p> <p><u>Crisis Nursery:</u> N.A.</p>
Development Standards	<p>Compliance with the Land Use Plan of the City's Comprehensive Plan.</p> <p><u>Crisis Nursery:</u> In compliance.</p>
Equipment Financing	<p>Limited to companies that create or preserve a significant number of jobs, and the equipment financed must be sufficiently secured. No more than 10% of the bond proceeds may be used to finance movable equipment not constituting a fixture.</p> <p><u>Crisis Nursery:</u> N.A.</p>
Restaurant/Bank	<p>IRB financing is allowed for a restaurant or a bank if it is built or rehabilitated in an MCDA Redevelopment Area. No more than 25% of the bond proceeds can be used to finance retail food and beverage establishments, automobile dealerships or recreation or entertainment facilities.</p> <p><u>Crisis Nursery:</u> N.A.</p>
Tax-exempt Institution	<p>Refinancing is permitted when new jobs are created or when a significant number of jobs is preserved; any interest cost savings must directly reduce patient costs.</p> <p><u>Crisis Nursery:</u> N.A.</p>
<u>IRB CAP:</u>	<p>The project is not subject to the volume cap, in that the project is exempt from income tax under Internal Revenue Code Section 501(c)(3) for its exempt purposes and is classified thereunder as a non-profit organization.</p>
<u>BOND COUNSEL:</u>	<p>Gray, Plant & Mooty</p>
<u>UNDERWRITER:</u>	<p>Bremer Bank of St. Paul</p>

PARTICIPATING BANK:

Bremer Bank of St. Paul

MEMORANDUM

progress
through
partnership

MCDA

Giving preliminary and final approval to and authorizing a project on behalf of Greater Minneapolis Crisis Nursery (the “Company”), and authorizing the issuance of a revenue bond of the Minneapolis Community Development Agency therefor.

Whereas, pursuant to Laws of Minnesota 1980, Chapter 595, as amended (“Chapter 595”), the City Council of the City of Minneapolis, Minnesota (the “City”) established the Minneapolis Community Development Agency (the “Agency”) and granted certain powers and duties to the Agency; and

Whereas, pursuant to such granted powers, the Agency has been authorized to issue revenue bonds for the purpose of providing financing for the acquisition, construction and installation of projects consisting of properties, real or personal, used or useful in connection with a revenue-producing enterprise, whether or not operated for profit; and

Whereas, it has been proposed that the Agency issue a revenue bond in the amount of not to exceed \$2,000,000 (the “Bond”) to finance the acquisition, renovation and furnishing of a building to be used as a residential shelter for children (the “Project”); and

Whereas, the Agency expects to give final approval to the issuance of the Bond by a resolution to be adopted on the date hereof; and

Whereas, the Bond shall bear interest at an initial interest rate not to exceed five percent (5.00%) per annum, shall have a final maturity date not later than December 1, 2022, and shall have such other terms as required or permitted by the Agency’s resolution, which terms are to be incorporated herein by reference;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

That the City Council hereby gives final approval to the issuance by the Agency of the Bond in the principal amount of not to exceed \$2,000,000 for the purpose of financing the Project.

That the Bond is hereby designated as a "Program Bond" and is determined to be within the "Economic Development Program" and the "Program," all as defined in Resolution 88R-021 of the City adopted January 29, 1988, and as amended by Resolution 97R-402 of the City adopted December 12, 1997.

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